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SECURITY INFORMATION

29 February 1952

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet official in Austria comments on State Treaty:
In a conversation with the Indian Consul in Vienna, the Soviet Deputy Minister to Austria stated that the Russians did not attend the Austrian treaty deputies' meeting in London because they were aware of Western intentions to introduce an abbreviated treaty. He added that in any event the Russians desired to conclude a German treaty before an Austrian treaty. (S Vienna 2777, 27 Feb 52)

Comment: The statement does not represent an alteration in Soviet policy; there have been previous indications that the Soviets were unwilling to conclude an Austrian Treaty until the German question was settled.

2. CZECHOSLOVAKIA. Ideological Conference declares war on "supra-party character" of science: The Ideological Conference of scientists from all Czech universities currently meeting in Brno will declare war against the assertion of the supra-party, non-political character of science as well as cosmopolitanism in science. For the first time in the history of Czech science, according to Radio Prague, 1000 scientists are meeting to "repudiate incorrect or biased opinions which have penetrated into some branches of science" during the prewar years.

Radio Prague points out that cosmopolitanism is a weapon of reaction used by imperialist aggression for subversive purposes. In this connection it cites as cosmopolitans Sling, Svermova, Clementis, Slansky and "all other traitors of our social system."

Luminaries at the convention include Minister of Defense Cepicka, Vice Minister of Defense Hruska, and Chief of Staff Lt. Gen. Vaclav Kratochvil. (R FBIS Czech Home Service, 27 Feb 52)

Comment: Czechoslovakia's culture is obviously about to undergo a thorough ideological revamping designed to kill Western influences, particularly objectivity, and realign the arts and sciences with Stalinism. The present campaign against cosmopolitanism, which went into high gear in January, has consistently stressed its international character and its relationship with "United States imperialism."

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The presence of Defense Minister Cepicka and Vice Minister Hruska at the conference discounts recent rumors that they have been purged. The citing of Kratochvil as Chief of the General Staff substantiates reports that General Jarislav Prochazka, brother of the Czech Ambassador to the United States, has been removed from this post and is probably under arrest.

3. YUGOSLAVIA. Government irritated over tripartite opposition to Yugoslav capital investment program: The Yugoslav Government has made a binding decision to proceed with its capital investment program in its present form. According to Yugoslav economic officials in Belgrade, United States, France, and Britain's refusal to provide financial assistance for this program represents interference in Yugoslavia's internal affairs. The Yugoslav officials claim that the capital investment program is absolutely necessary to solve Yugoslavia's balance of payments problem, finish its uncompleted plants, and combat Cominform propaganda that Yugoslavia is lagging behind the Satellites in industrialization. (S Belgrade 1045, 26 Feb 52)

Comment: In mid-February the United States, Britain, and France refused a Yugoslav request for approximately 80 million dollars to finance capital goods imports. The Yugoslav Government was informed that the tripartite aid program is intended only to finance Yugoslavia's current account trade deficit and that it should look to the International Bank to finance its capital goods imports.

The completion of the capital investment program would serve to reassure Yugoslav Communists that the building of socialism remains the principal objective of the regime.

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SECTION 2 (EASTERN)

1. INDONESIA. Indonesia suggests mixed commission on New Guinea: The First Secretary of the Netherlands Embassy in Washington informed a State Department official that Indonesia had proposed the establishment of a mixed commission to consider informally the disposition of Netherlands New Guinea. Indonesia had previously refused a Dutch suggestion to solicit legal opinion on the New Guinea issue.

The work of this commission, according to the Indonesian proposal, would not be binding upon either government but would be available for the use of both after the Netherlands parliamentary elections in June. The Netherlands stated that although it sees no objection to the proposal, it wishes to emphasize that Dutch readiness to participate in a mixed commission does not imply acceptance of joint responsibility over Netherlands New Guinea. The Netherlands considers the proposal moderate. (C to Djakarta 943, 27 Feb 52)

Comment: Netherlands-Indonesian negotiations on New Guinea and the Union Statute have been temporarily postponed pending the formation of a new Indonesian Cabinet. However, the cessation of the talks on so moderate a suggestion as an informal mixed commission augurs well for amicable relations when negotiations are resumed. The proposal does not indicate that Indonesia has changed its position regarding its claim to New Guinea but that, for the present, Indonesia does not intend to press that claim to the point of deadlock.

2. Communist Party asserts opposition to Darul Islam: The Central Committee of the Indonesian Communist Party issued a directive on 24 February calling upon Indonesians to fight against the Darul Islam and "to oust the organization from Islam." The directive stressed the need of the people's cooperation with the "public servants and the army" in this matter. (R FBIS [REDACTED] 27 Feb 52)

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Comment: The Darul Islam is a militant Moslem organization which for several years has tried to found a theocratic state in West Java. The organization has terrorized large areas and has successfully resisted government efforts to reduce its strength. Increasing public criticism of the government's failure to deal effectively with the DI evoked a statement from the Ministry of Information in January that

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the DI is illegal, and the the government would take all possible measures to combat insecurity.

For six months there have been strong indications of cooperation between Communist elements and some Darul Islam members. The Communist Party, which lost considerable prestige during the widespread Communist arrests of August 1951, undoubtedly now finds it expedient to repudiate any real or suspected connections with the Darul Islam, and to ally itself, publicly at least, with the forces of law and order.

3. THAILAND/CHINA. Chinese Communist propaganda blasts Thailand: A New China News Agency release of 24 February took the Phibun regime in Thailand to task for alleged discriminatory treatment of local Chinese, particularly in regard to their "rights and interests" as landlords. It concluded by stating that overseas Chinese returning to China consider this measure a step in preparing to launch military activities against China in collusion with Chinese Nationalist forces. (U Hong Kong 2525, 27 Feb 52)

Comment: Chinese Communist solicitude for the welfare of landlords in this article contrasts violently with the treatment accorded them in China. The Communists have also indicated increased sensitivity towards the Nationalists in northern Burma, who have been supplied through Thailand. There have been a number of reports of impending military action in the area.

4. CHINA. Sino-Czech trade negotiations continue: Chinese and Czech trade officials negotiating in Prague have not yet reached agreement on a trade pact for 1952. The Chinese have reportedly rejected many items which the Czechs propose to export. The projected value of trade between the two countries is said to be 250 million rubles in each direction (over 60 million dollars at the official rate of exchange). (S [REDACTED])

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Comment: The failure to reach agreement thus far is not regarded as serious; the Sino-Czech agreement covering 1951 trade was not signed until the middle of last year.

The 250 million ruble figure presumably represents the projected annual total for 1952. This figure does not provide

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for a sharp increase over the estimated level of Sino-Czech trade in 1951. By comparison, the Sino-Czech trade agreement for 1951 provided for a four-fold increase over that of the previous year.

5. China purchases more Pakistan cotton: Reports from Karachi state that China purchases 125,000 bales of cotton in early February, and that two Pakistani-flag vessels, the Ocean Enterprise and Safina-E-Arab, loaded 39,000 bales for China during the past week. (R Karachi Joint Weeka 7 160840Z, Feb 52)

Comment: This large Chinese purchase of Pakistan cotton was unexpected, since the 1951 crop was believed ample for China's needs in 1952. The Communists may, however, be building a comfortable stockpile for the textile industry, which had to close for six weeks in mid-1951 because of a cotton shortage.

6. Chinese Communist Marine Corps adding service units and landing equipment: The American Naval Attache, Taipei, forwarded several recent reports regarding the Chinese Communist Marine Corps. One report states that each of the four marine divisions will have its own service regiment. These regiments are currently undergoing training at Yingkow, Dairen, Tsingtao and Yulin where their divisions are located. The training reportedly will be completed by 1 May.

Another report states that three Chinese Communist marine divisions will have one tank battalion each. Thirty-two tanks received in late January from the Soviets reportedly will be used in this way. (S Alusna Taipei, 1000Z, 26 Feb 52)

Comment: The Chinese Communists reportedly started training marines a year ago, later organizing them into divisions.

7. KOREA. Rhee's battle with South Korean National Assembly continues: President Rhee's answer to a questionnaire submitted to him by the National Assembly concerning the legality of the recall is "understood" by the US Army Attache to be "even more vigorous" than Rhee's previous utterances on the subject. The reply is not expected to be forwarded for two or three days because the President's more moderate advisers are urging that it be toned down. (S Pusan Weeka 9, 27 Feb 52)

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Comment: A minority group in the legislature has been urging that Rhee be impeached. If his answer is unsatisfactory, more moderate elements may not be able to prevent the initiation of impeachment proceedings.

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SECTION 3 (WESTERN)

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2. FRANCE. French Communist admits "peace movement" is instrument of class struggle: A speech made by the French Communist organizer Lecoeur upon his return from a visit in Moscow with Thorez is considered significant by the US Embassy in Paris because it "flatly admitted" that the revolutionary role of the Communist "peace movement" is an important instrument in pursuing the class struggle. Without actually changing the party line, which says that the movement is open to all "partisans of peace," Lecoeur's speech emphasized that the movement cannot exist "out-side or against the Communist Party" and that it is the "most direct means" of hastening the overthrow of capitalism and achieving the goals of socialism. (C Paris 5207, 26 Feb 52)

Comment: Criticism within the party ranks, especially among the militant elements who object to the present policy of dealing with the middle classes, probably necessitated this reassurance of the party's primary concern with the class struggle. This mollification of dissident party elements, together with Duclos' recent appeal for united mass action and the visit this week of CGT boss Frachon to Moscow, may preface renewed emphasis on direct action, perhaps by intensification of the anti-productivity campaign.

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3. AUSTRIA. Austrians "optimistic" on Soviet negotiations on USIA: The US Embassy in Vienna has received information suggesting that the Soviet High Commissioner may have received instructions to settle the question of Soviet Enterprises in Austria (USIA) in direct discussions with the Austrian Government. Foreign Minister Gruber confirmed that the Austrian President has received some indications from Soviet officials of willingness to negotiate and that a recent statement of the Soviet High Commissioner might be interpreted as an overture in this direction. Gruber said that Austria appreciates the necessity of extreme caution in this matter, but pointed out that the government has already taken preparatory action in official statements to support the Western position that German assets should be relinquished by the USSR without compensation. (S Vienna 2777, 27 Feb 52)

Comment: Austrian officials may be confusing the possible willingness of Soviet officials to discuss aspects of USIA operations with the most unlikely possibility of Soviet desire to discuss the question of German assets as a whole. A recent Austrian communique hinting that Austria did not accept provisions in the old draft treaty for Austrian compensation for German assets held or claimed by the Soviet Union, was vigorously denounced in a Soviet broadcast in Vienna. The broadcast suggests that the Russians, who regard their claims to compensation as secure, are not likely to agree to abandon such claims in negotiations with either Austria or the West.

4. BELGIUM-NETHERLANDS. Benelux dissatisfied with German financial contribution to the European Defense Community: In their meeting with the United States, British and French Foreign Ministers at Lisbon on 26 February, the Belgian and Dutch representatives stressed the importance they attach to the principle that the German financial arrangements for defense should not result in additional burdens on other Defense Community countries. The Dutch Foreign Minister emphasized the importance of using the German contribution to build up German military strength. (S Lisbon SECTO 96, 27 Feb 52)

Comment: When the Defense Community comes into effect, West Germany's contribution to Community forces, which is a part of its over-all defense contribution, will be about 812 million dollars for the first year of the plan's operation. Both the US High Commissioner and the Germans tentatively estimate that the cost of building up German contingents will exceed this figure.

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The Benelux countries are concerned over the possible loss to them of American military assistance if the United States should attempt to meet the German deficit in the Defense Community.

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6. NORWAY. Foreign Office annoyed over publicity concerning East-West trade controls: The Norwegian Foreign Office has expressed considerable annoyance over the publicity given an "agreement" to prevent transshipment of strategic materials, and has requested the US Embassy at Oslo to convey its views to the Department of State. In particular, the Foreign Office dislikes any "unnecessary publicity" regarding international controls on East-West trade. (C Oslo 746, 26 Feb 52)

Comment: Norway feels that publicity concerning trade controls unnecessarily taunts the USSR and can result in retaliation by Orbit nations. It also fears that the Norwegian public may get the impression that the government is giving in to foreign pressure.

7. MEXICO. Proposed copper shipments may be diverted to Orbit: A Mexican copper wire producer, La Consolidada S.A., has been informed that the US Embassy would have no objection to the

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shipment of 75 tons of copper wire to Oscar Huber and Co. of Zurich, provided Huber submits a copy of the Swiss import license covering the transaction. The Embassy advises, however, that the possibility of diversion prior to importation be investigated, since Mexico shows little interest in controlling the ultimate destinations of base metals. (S Mexico City Desp. 1719, 18 Jan 52)

Comment: Oscar Huber visited Mexico last October and was offered 200 to 300 tons of cathode copper by Cobre de Mexico, an important Mexican fabricator, if he could furnish a "west certificate." Huber obtained the cooperation of the Banco del Atlantico, S.A., which agreed to finance all his transactions, and established friendly relations with La Consolidada, which indicated that it would pay in copper wire for industrial equipment imported from the East. Other evidence suggests that Huber is engaged in East-West trade transactions. However, should Switzerland grant him an import license, the copper's diversion to the Orbit would be less probable.

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SECTION 2 (EASTERN)

1. EGYPT. King reportedly dissatisfied with Prime Minister Ali Maher: King Farouk, [REDACTED] is dissatisfied with the lack of progress being made toward a solution of the Anglo-Egyptian dispute. As a result, Prime Minister Ali Maher may be forced to resign unless he is prepared to take more positive action against the influential Wafd Party.

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25X1X [REDACTED] has stated that Farouk is determined that those responsible for the 26 January riots be punished, that there be a showdown with the Wafd, that Parliament be dissolved, and that a reasonable agreement with Great Britain be accomplished. (TS Cairo 1436, 27 Feb 52)

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Comment: King Farouk is reportedly anxious to seize the present opportunity to weaken the Wafd's political power. Ali Maher, in turn, is said to oppose acting too quickly against the Wafd because of the strength of this majority party.

Current indications are that if an Anglo-Egyptian settlement continues to be delayed, the King may install a new government -- possibly headed by former Wafdist leader Hilali -- in order to achieve more rigorous measures against the Wafd as well as to bring about the dissolution of Parliament.

2. JAPAN. Allied Council to terminate with end of Occupation: The Department of State has concurred in a proposal of the United States Political Adviser in Tokyo whereby, when the peace treaty comes into force, he would address a letter to the members of the Allied Council of Japan stating that the ACJ functions have terminated. The Political Adviser believes it essential that the Russians derive no rights to remain in Japan during the post-treaty period by authority of their ACJ membership. (C S/S to Tokyo 2325, 27 Feb 52)

Comment: There are some indications that the Soviet Union may attempt to remain in Japan by converting the office of the Soviet member of the ACJ into a trade mission.

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